

- BC merchandise exports up 3.9% in July fuelled by energy products
- Housing starts fell in August after strong growth in July
- Two-thirds of young British Columbians began postsecondary education before the age of 19

The Economy

- The value of BC's product exports increased 3.9% in July, compared to the same period in 2002. Energy exports more than doubled (+106.9%), offsetting declines registered in all the other categories. Exports of forest products plunged 11.9%, and industrial goods (-3.2%), agricultural and fishing products (-1.3%) and machinery and equipment (-1.0%) also slumped. Nationally, merchandise exports dropped 5.9% due to weaker exports of agricultural and fishing products (-14.3%) and machinery and equipment (-15.1%). In addition to BC, Alberta exports also increased (+3.9%) due to strong energy products exports (+29.9%), offsetting the adverse effect of the US beef ban on agricultural products (-48.6%).

Source: SC, Catalogue no. 65-001-XIB

- The value of building permits issued in BC increased 22.8% (seasonally adjusted) in July, reaching a record high of \$598 million. Both residential (+16.2%) and non-residential (+38.9%) permits increased substantially. The dollar value of permits was up 25.6% in Vancouver and 44.6% in Victoria. Source: Statistics Canada

- Regional building permits data (non-seasonally adjusted) give a picture of what is happening in other parts of the province. Thompson/Okanagan (+60.0%), Northeast (+47.5%) and Kootenay (+40.5%) regions all showed gains in the first seven months of the year 2003, compared to last year. Nechako (-36.2%) and North Coast (-21.6%) were the only two regions recording declines.

Source: Statistics Canada

Housing

- Housing starts in the province dropped slightly (-2.0%, seasonally adjusted) in August

after jumping (+35.7%) in July. Across the country, housing starts rose 4.7%. Manitoba (+47.5%) and Quebec (+19.1%) posted strong growth. Starts in Ontario edged up (+1.2%), despite the effects of the power blackout.

Source: CMHC

- The cost of new housing in BC's two biggest cities continued to climb in July. The new housing price index (NHPI) was up 3.8% (year-over-year) in Vancouver. Victoria's NHPI rose 7.4%, posting the second highest increase among the 21 urban centres surveyed. Land prices in Victoria were 11.5% higher than the same month last year, posting the largest increase since March 1994, while land prices in Vancouver moved up to a lesser extent (+1.2%). Prices for buildings also rose substantially in Vancouver (+5.1%) and Victoria (+6.9%).

Source: Statistics Canada

Tourism

- Hotel room occupancy in BC fell 3.9 percentage points in July relative to the same month last year to reach 71.1%. Regionally, hotel room occupancy dropped in most regions, among them Greater Vancouver (to 74.9% from 78.8%) and Greater Victoria (to 75.8% from 77.7%). The average daily rate in BC went down 3.6%. Average room rates increased in all regions except Greater Vancouver (-6.3%) and Greater Victoria (-6.6%).

Source: PKF Consulting

Postsecondary Education

- Nearly two-thirds (63%) of 194,616 British Columbians aged 18-24 began their postsecondary education before they were 19. Nationally, 69% of Canadians started their postsecondary education at age 18 or under. 51% of British Columbians aged 18-24 started postsecondary within 3 months of leaving or

Did you know...

Health Canada estimates that in 1998, mental disorders were the third highest source of direct health care costs, at \$4.7 billion.

completing high school. Almost two-thirds (62%) of young British Columbians pursued postsecondary education, mainly at the University level. Only 15% of British Columbians aged 18-24 took more than one postsecondary program (completed or not completed). A few (38%) young British Columbians who pursued postsecondary education have applied for Government Student Loans, most of them (84%) have received loans.

Source: SC Catalogue 81-595-MIE-No.007

Participation and Activity Limitation

- **British Columbian adults with disabilities pursued less education, were more likely to be unemployed and had lower incomes compared to adults without disabilities in 2001.** Only a small proportion (11%) of BC adults had a disability (physical, mental condition or health problem). Adults aged 15-64 with disabilities had lower high school completion rates (23%) than adults without disabilities (29%). One out of three (32.7%) disabled adults aged 15-64 was unemployed. This compares to an unemployment rate of 8.1% for adults without disabilities. The median income of adults aged 15 and over with disabilities was \$21,912 for 2001, \$5,234 less than their counterparts without disabilities.

Source: SC Catalogue 89-587-XIE

Performing Arts

- **The 66 not-for-profit performing arts companies in BC recorded a deficit of \$188,714 in 2001.** Total revenues for BC arts companies were \$59.2 million, not enough to cover total expenditures (\$59.3 million). By discipline, theatre (\$25,375), dance (\$82,923) and opera (\$598,573) companies reported a surplus. However, music companies recorded a deficit of \$895,585. Attendance at the 5,945 performances by BC's companies was 1.8 million persons, 13% of the total attendance in Canada.
- **Nationally, arts companies registered a surplus of \$3.6 million as the revenues reached a record high of \$543.7 million.** Ontario was the only province where companies reported a surplus (\$7.2 million).

Source: SC Catalogue 87F0003XDB

Farm Prices

- **The price BC farmers received for agricultural commodities increased 4.0% in June (year-over-year).** This is the second highest increase among provinces and territories. Both crop (+3.3%) and livestock and animal products (+3.7%) prices rose in BC.
- **The US ban on Canadian beef imports, implemented following confirmation of an isolated case of mad cow disease, contributed to a national decline in cattle and calf prices of 20.1%, and had the same effect in Alberta (-20.1%), Canada's biggest beef-producing province.** However, livestock and animal prices in BC proved more resilient, even increasing marginally (+0.5%).

Source: Statistics Canada

The Nation

- **Labour productivity in the Canadian business sector improved marginally (+0.1%) in the second quarter of 2003, following a decline or stagnant labour productivity in the previous three quarters.** Hours worked (-0.6%) fell slightly more than output (-0.5%). The unit labour cost (ULC) increased (0.6%), as hourly compensation rose (0.6%). Moreover, Canada's ULC advantage has been severely eroded relative to American businesses, increasing by 8.7% due to the strong appreciation of the Canadian dollar.
- **Industrial capacity utilization rates fell in the second quarter of 2003 as Canadian businesses operated at 81.2% of full capacity down from 82.5% in the first quarter.** Utilization in forestry and logging dropped sharply (-6.2 percentage points) to 77.6%. Manufacturers cut back on their use of existing capacity (-1.2 percentage points). The appreciation of the Canadian dollar against the US dollar and the US imposition of export duties played a role in the decline in capacity use in wood products manufacturing (96.0%). Paper manufacturing moved up slightly to 93.5%.

Source: Statistics Canada

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Error checking the TRR database

This summer, BC Stats undertook a major review of the tourism room revenue database.

The database consists of over 2,300 records from companies that pay the provincial hotel room tax. Each record was individually examined to check for errors—particularly incorrect postal codes, room counts, and establishment categories. Our records were compared with information in the BC Accommodation Guide, as well as information from the establishments' own internet websites.

BC Stats error-checked each of the 2,300 records in the room revenue database.

The overall conclusion is that the room revenue database is impressively accurate. We have, however, found errors and made adjustments to improve on this accuracy.

Total revenues not changed

The main information we could not check was the revenues of tourism establishments. Revenue data is derived from the administrative records of the Consumer Taxation Branch, and there is no other available source of information.

The revenue figures would be inaccurate if there is widespread non-compliance with the hotel room tax. Based on their audits, the Consumer Taxation Branch believes there is a fairly low risk of non-compliance overall in the accommodation industry. This makes sense, given that the hotel tax was introduced at the request of the tourism industry, and its revenues are used for tourism promotion.

Regional distribution: Postal codes and consolidated reporters

Postal codes—which are used to identify the geographic region of an establishment—were one potential problem. Incorrect postal codes would make a tourism establishment appear to be operating in a different region. This can arise, for example, when the business owner lives in a different area than where the business operates (this would create a potential for recording the wrong address). However, our inspection found very few of these sorts of errors.

Another potential problem relates to consolidated reporters. Tax filers who own (or manage) more than one property often make a single tax payment for all the properties. Problems arise when the head office, say in Vancouver, reports revenues from establishments in the Okanagan or the Queen Charlotte Islands. These revenues then appear to come from a single establishment located in Vancouver.

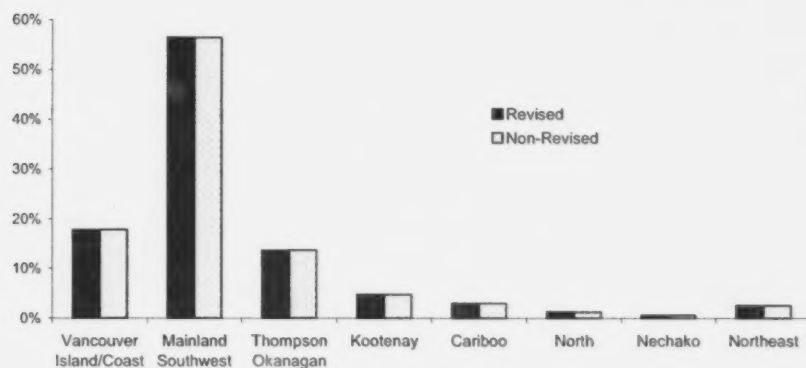
Most of the consolidated reporters we found have properties in only one area. For example, Whistler has several companies that rent condos scattered around the town. Thus, many of the consolidated reporters do not create problems for the regional level data.

When we identified consolidated reporting that spanned across regions (or across towns in the same region), we created separate establishments and allocated revenues on the basis of room counts. These adjustments resulted in 43 "new" establishments.

One-tenth of 1% of total room revenues were linked to the wrong geographic area

Correcting for postal code errors and consolidated reporters had a negligible effect on the room revenue data. We concluded that roughly \$1.6 million in revenues were linked to the wrong development region, representing one-tenth of one percent of total revenues. The region most strongly affected by the changes—Thompson-Okanagan—saw its share of BC room revenues fall by a minuscule 0.08 percentage points. The database was, in this respect, already quite accurate.

Percentage shares of room revenues, by regional district, 2002



Room counts and establishment types

There was a considerable room undercount in the database. Our review identified a net undercount of 4,341 rooms (4.5%). Most of the undercounting was in the regions of Mainland Southwest and Thompson Okanagan. More than one-third of the net undercount was in Whistler, where 1,579 rooms were not recorded in the database. This was due to several very large hotels that were listed as having only a few rooms.

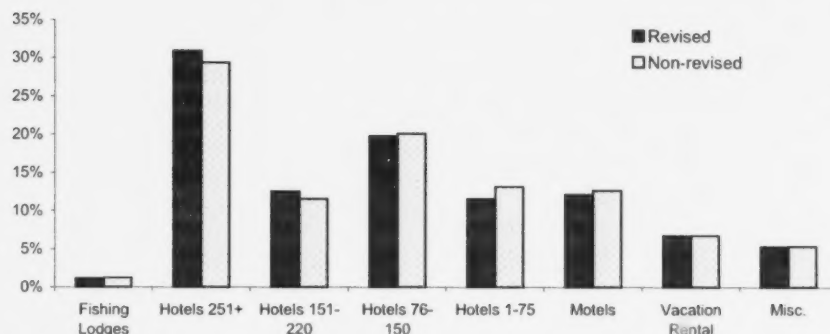
There was a 4.5% room undercount rate in the database.

One effect of correcting the room undercount was that a number of hotels were reclassified from small to medium or large. Other classification errors were found as well, such as hotels that were incorrectly classed as motels.

In all, \$38.9 million in room revenues were linked to the wrong establishment category—about 2.6% of total revenues.

2.6% of total revenues were linked to the wrong establishment type

Percentage shares of room revenues, by establishment type, 2002

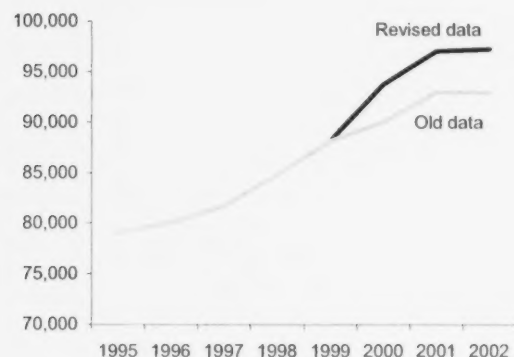


Using the revised data

Overall, the error-checking process resulted in little substantive change. There are, however, areas where one should be cautious in using the data.

The database has been revised back to January 2000, and it is not possible to revise any further back in time. This creates some difficulties in time-series analysis. For example, the database previously showed a 2.2% increase in the number of rooms in BC between 1999 and 2000. With the new revisions, there appears to be a 6.4% increase. For room and property counts, there is not a consistent time series prior to January 2000.

Total number of rooms in BC: Revisions from 2000 onward create a "break" in the time series



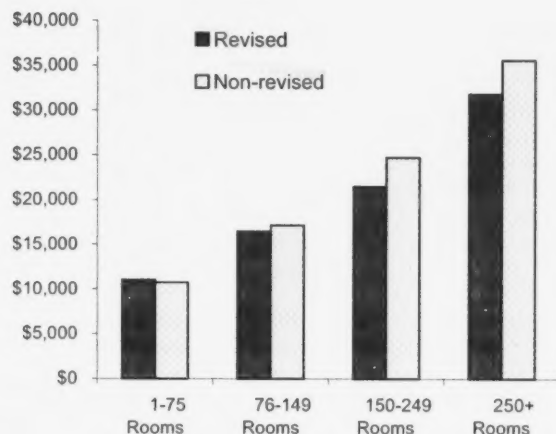
Total room revenues in BC were not changed by the revisions, so the time series for revenues is still consistent over the earlier years. Nevertheless, there are differences when one combines the revenue data with other information—such as room counts or establishment types.

For example, the average revenue stream generated by a single room in BC was \$15,488 in 2002. Using the non-revised data, this figure stands at \$16,211—overstating the “true” value by \$724 (4.7%).

The revenue value of rooms in large establishments was considerably overstated in the old data set. A room in a large hotel (251+ rooms) was worth \$31,752 in revenues on average in 2002—a figure that the old database inflated by almost \$3,800 (12%). In contrast, the revenue value of a room in a small hotel (1-75 rooms) was underestimated in the old data set—\$274 (2%) lower than the revised figure.

These differences are never great enough to change the basic conclusions: for example, the revenue value of a room increases directly with hotel size regardless which data set one uses. The old data, however, exaggerated the revenue value of rooms in larger hotels. Constructing a time-series with these data should be limited to January 2000 onward.

Annual revenues per room, by hotel size, 2002



Conclusion

Overall, the error checking process has given BC Stats a high degree of confidence in the room revenue database.

Modest changes have been made to improve the database. Users will need to keep in mind that the pre-2000 room and property data—because they are less accurate—are not completely consistent with later years. For the regional distribution of revenues, some changes have been made but they are of negligible importance. In our view, the regional time series data remain consistent and valid.

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BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Apr 1/03	
BC	4,162.5	0.8
Canada	31,559.2	0.8
GDP and INCOME		% change on one year ago
(BC - at market prices)		2002 Prelim.
Gross Domestic Product (GDP) (\$ millions)	134,365	2.7
GDP (\$ 1997 millions)	126,141	1.8
GDP (\$ 1997 per Capita)	30,459	0.8
Personal Disposable Income (\$ 1997 per Capita)	19,445	-0.2
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jun	2,667	-1.5
Merchandise Exports - Jun	2,584	0.1
Retail Sales - Jun	3,399	0.2
CONSUMER PRICE INDEX		12-month avg % change
(all items - 1992=100)		Jul '03
BC	120.5	2.6
Canada	122.2	3.3
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)		Aug '03
Labour Force - BC	2,216	0.5
Employed - BC	2,023	0.3
Unemployed - BC	193	1.7
		Jul '03
Unemployment Rate - BC (percent)	8.7	8.6
Unemployment Rate - Canada (percent)	8.0	7.8
INTEREST RATES (percent)		Sep 11/02
	Sep 10/03	
Prime Business Rate	4.50	4.50
Conventional Mortgages - 1 year	4.55	5.30
- 5 year	6.50	6.70
US/CANADA EXCHANGE RATE		Sep 11/02
	Sep 10/03	
(avg. noon spot rate) Cdn \$	1.3659	1.5755
US \$ (reciprocal of the closing rate)	0.7317	0.6326
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)		Aug '03
BC	687.38	2.9
Canada	666.46	2.2

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

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